

FY2018

BUDGET OUTLOOK & PRIORITY SETTING

A large, arched welcome sign for Chesterfield County, Virginia. The sign is mounted on a stone pillar and features a black metal frame. The text on the sign reads "Welcome to Chesterfield County". A small shield-shaped sign on the pillar indicates "VIRGINIA HISTORIC 1". The sign is set against a backdrop of trees with autumn foliage.

Welcome
to
Chesterfield
County

JOINT WORK SESSION OUTLINE

- 1) Economic backdrop and forecast outlook
- 2) Capital plan priorities
- 3) Operating budget priorities/key issues
- 4) Budget calendar/process discussion



NATIONAL CONDITIONS A MIXED BAG

- 1) U.S. fundamentals remain generally weak
- 2) Economic data charting an uncertain path
- 3) Most forecasts suggest continued sluggish growth (2.0%) throughout 2017

LEADING INDICATORS REBOUND

EXISTING HOME SALES REBOUND

CPI INFLATION PICKS UP

RETAIL SALES RECOVER

CONSUMER CREDIT POSTS INCREASE

FACTORY ORDERS CONTINUE TO RISE

ISM NON-MANUFACTURING
REBOUNDED

CONSUMER SENTIMENT EDGES HIGHER

DURABLE GOODS BETTER THAN
EXPECTED

NATIONAL HOME PRICES EDGE HIGHER

HOUSING STARTS PLUNGE

HOME BUILDERS' CONFIDENCE
FALLS

SMALL BUSINESS OPTIMISM SLIPS

MOMENTUM INDEX TUMBLES

TRADE DEFICIT WIDENS

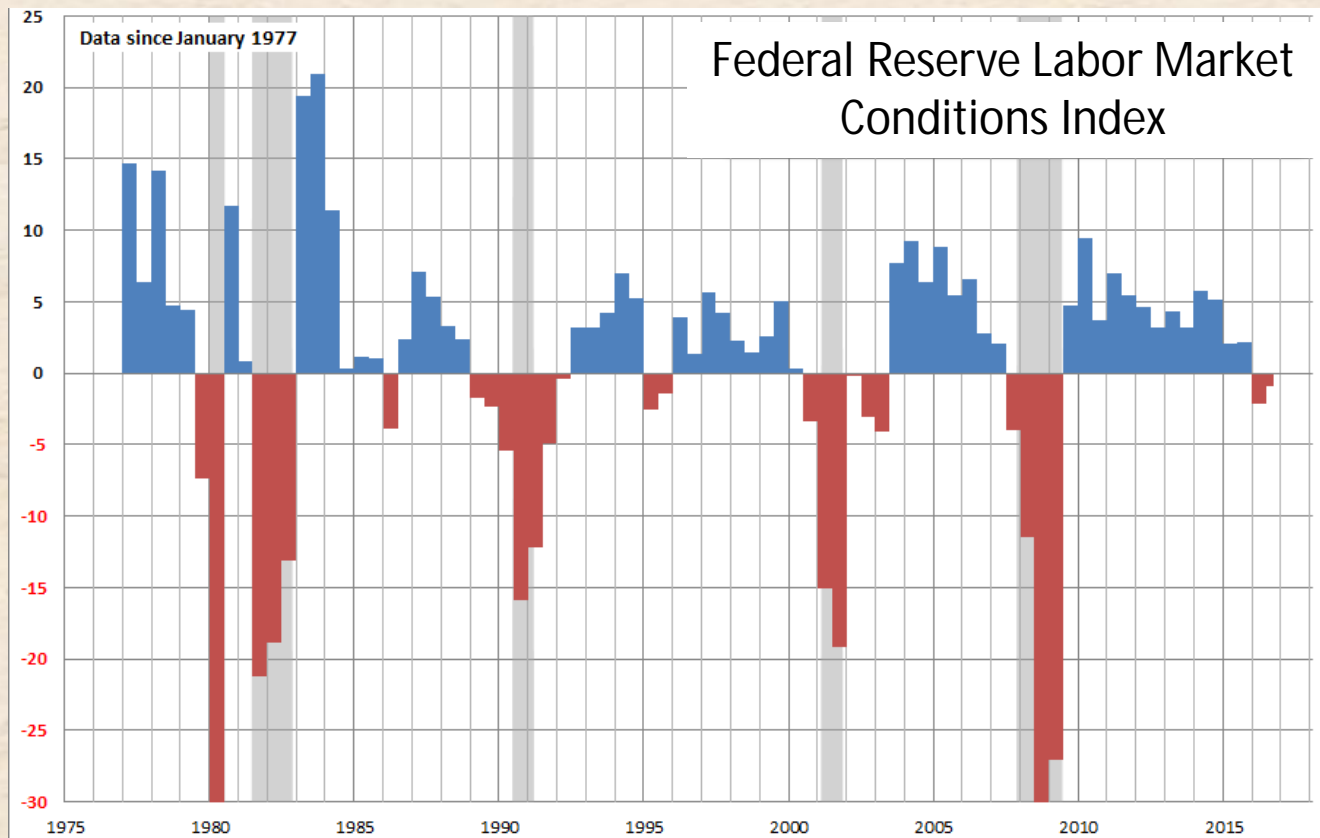
CONSTRUCTION SPENDING
SOFTENS

CONSUMER SPENDING MODERATES

PENDING HOME SALES FALTER

NEW HOME SALES GIVE BACK
GAINS

NATIONAL CONDITIONS A MIXED BAG



STATE REVENUE OUTLOOK SUBDUED

ECONOMIC BACKDROP AND OUTLOOK

- 1) State hampered by job growth in low wage sectors
- 2) Support for localities also facing increased competition
- 3) State outlook has limited exposure for general government...
- 4) Though, school impacts are more substantial

TABLE 5: 10 AGENCIES WITH HIGHEST GROWTH AMOUNT IN TOTAL APPROPRIATIONS, FY07-16 (\$M)

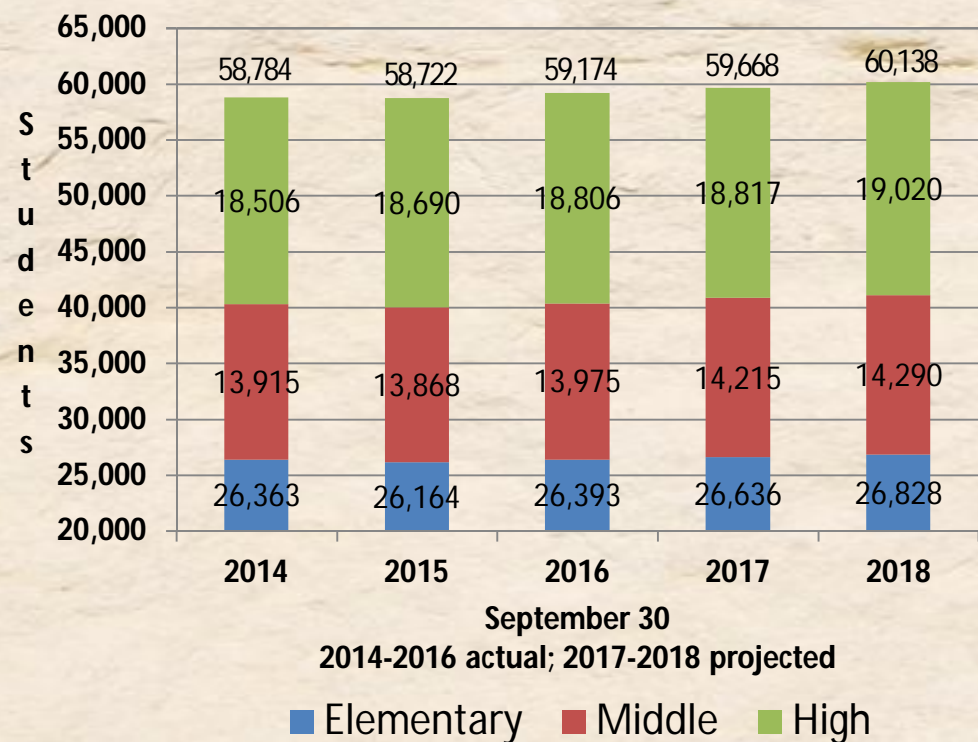
Rank	Agency	Total growth		
		\$	%	% of total
1	DMAS	\$4,019.9	76%	28%
2	VDOT	1,201.6	29	8
3	VCCS	817.2	95	6
4	UVA ^a	752.4	40	5
5	DOE (Direct Aid)	740.3	11	5
6	Va Tech	370.4	42	3
7	Treasury Board	368.2	103	3
8	GMU	364.2	64	3
9	VCU	305.1	39	2
10	DSS	253.7	15	2
Top 10 agencies, subtotal		\$9,193.1	40%	64%
Other agencies, subtotal		5,259.1	44%	36
Total operating budget		\$14,452.2	41%	100%

STATE REVENUE OUTLOOK SUBDUED

1) Anticipate loss of State's share of compensation increase -
FY17 - \$2.5 M; FY18 – \$4.3 M

- Offset in FY17 by enrollment growth + 452
- Projected increase of 494 students in FY18 will generate additional revenue

2) Likely sales tax impact



EXCLUDES REGIONAL SCHOOLS

LOCAL FORECAST REMAINS ON CAUTIOUS TRACK

- 1) FY2016 general fund revenues on target, no re-benchmarking needed
- 2) Early indicators suggest FY2017 forecast is also solid
- 3) Same holds for FY2018 *thus far...*
- 4) Macro risks not as worrisome for localities, but cautious approach still appropriate

Economic Indicator	Current Reading
Unemployment	3.9% (Aug)
Payroll Employment	+5.4% (1Q/1Q)
Consumer Spending	+2.4% (FY YTD)
Home Prices (median sales price)	+4.0% (CY YTD)
1-Family Permits	+14.9% (CY YTD)
Home Sales	+11.5% (CY YTD)
Foreclosures	-20.6% (CY YTD)

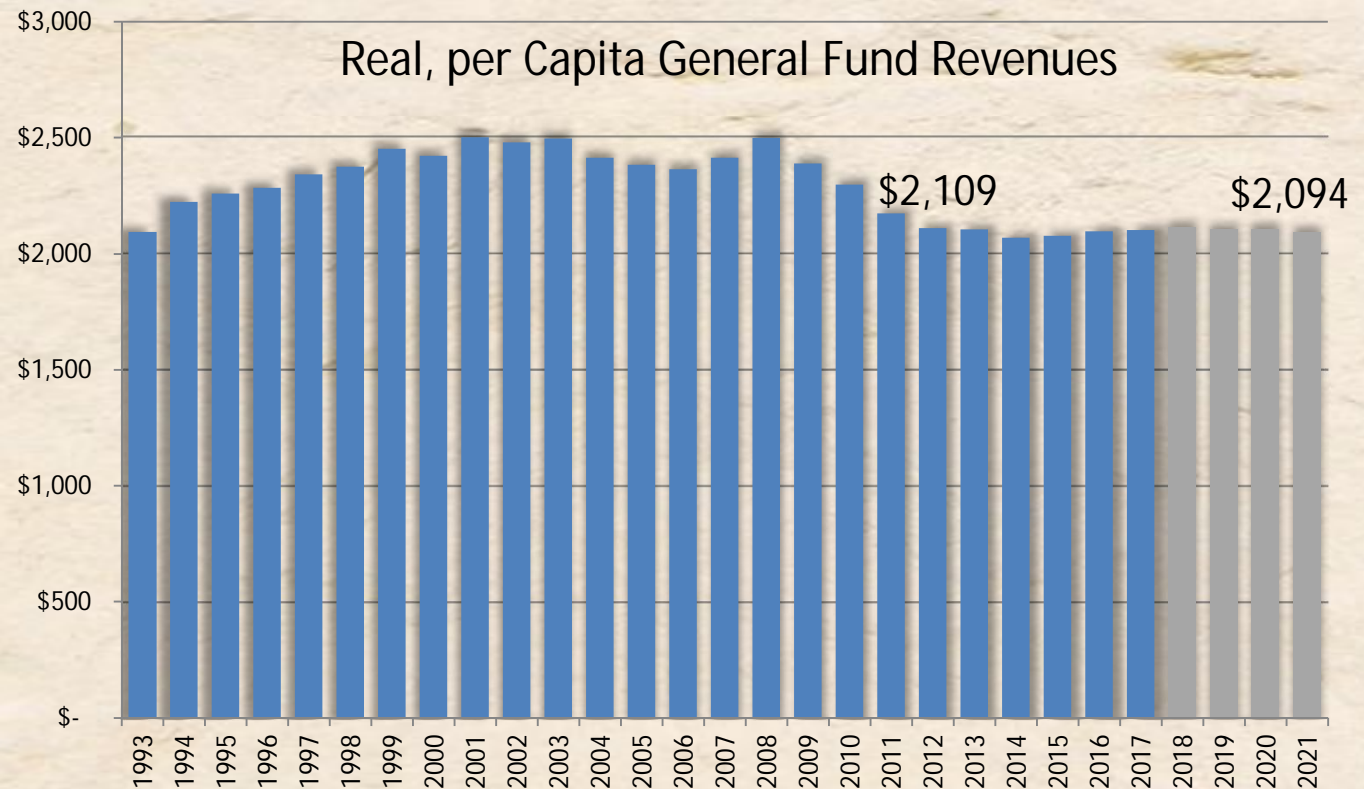
LOCAL FORECAST REMAINS ON CAUTIOUS TRACK

ECONOMIC BACKDROP AND OUTLOOK

1) Real, per capita cost structure -15.9% since 2008

2) Potential for a decade of no 'real' growth

3) JLARC: State budget +13% in real terms FY07-FY16



COUNTY CAPITAL PLAN PRIORITIES

- 1) Plan maintains recent strategic direction
- 2) Further emphasis on major maintenance; careful monitoring of operational impacts
- 3) Enhanced focus on revitalization/preservation
- 4) Continued investment in sports tourism
- 5) TMDL, revenue sharing, emergency communications system remain on track
- 6) No proffer revenue risk to named projects



COUNTY CAPITAL PLAN HIGHLIGHTS

- 1) Full DRAFT plan discussed on 11/16
- 2) Proposed \$1.7M increase in recurring MM funding for FY18
- 3) Plan makes MM strides, still short by FY22; reserves/balances can assist
- 4) Reshuffling of fire facilities; balance service gaps with operating pressures
- 5) Revit/Preserve: Midlothian library, complementary referendum funds, school contribution remains intact



SCHOOLS CAPITAL PLAN UPDATE

New Elementary Schools

- Budget will include scope changes
 - Conceptual Budget – Now
 - 65% Design Documents – November
 - 95% Design Documents – January
- Remaining Projects
 - No changes anticipated at this time in FY18-FY22 CIP



COUNTY OPERATING BUDGET PRIORITIES

- 1) Similar philosophical approach w/ operating
- 2) 'Enhancements': strengthening core services, targeted service level restorations, CIP impacts
- 3) Initiatives will require employing incremental approach over the plan
- 4) Personnel: 2% merit, 7% healthcare
- 5) Will continue to pursue savings to aid in balancing

Potential Enhancements

Public Safety Staffing

Body Worn Cameras

Library Hours (balance)

Library Materials

Parks Maintenance (day-to-day)

Workload Staffing (misc. depts.)

CIP Impacts (facilities, systems, etc.)

SCHOOLS OPERATING PRIORITIES

1) School Start Times

- Background
- Receiving community input
- Reviewing options
- Refining cost estimates

2) Supplemental Retirement Plan



SCHOOLS OPERATING PRIORITIES

Supplemental Retirement Plan

- Issued RFP for a experience study
 - Appears assumption of eligible employees and employees entering program annually has been understated in actuarial report
- Significant budget impact anticipated
 - No funding issue for FY2017

SCHOOLS OPERATING PRIORITIES

Supplemental Retirement Plan

- Significant budget impact anticipated (continued)
 - Trust fund balance and level of annual benefit payments require annual payments equaling at least the amount of benefit payments
 - GASB unfunded liability - \$99.2M; 17% funded
- Payment could be in the range of \$16.5 million

SCHOOLS OPERATING PRIORITIES

Supplemental Retirement Plan

- Next Steps
 - Experience Study
 - CCPS committee to recommend program design moving forward
 - Develop appropriate financial plan

BUDGET PROCESS MILESTONES

- November 16th: Joint CIP preview (Audit and Finance)
- Late-December: State budget details available
- Mid-January: Local land values finalized
- January 24th: Superintendent's financial plan
- January 25th: County CIP work session
- Early-February: Joint preliminary 5-Year Plan (ahead of 2/22)
- February 22nd: Advertised tax rate set
- March 1st: School budget to county
- March 15th: County proposed budget presented

